

STATE OF SOUTH CAROLINA

(Caption of Case)

Annual Review of the Purchased Gas Adjustment
and Gas Purchasing Policies of Piedmont Natural
Gas Company, Inc.

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2007 - 4 - G

(Please type or print)

Submitted by: James H. Jeffries

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☒ Other: Rebuttal Testimony of David R. Carpenter on Behalf of Piedmont Natural Gas Company, Inc.

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

Moore&VanAllen

November 1, 2007

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VIA E-FILING AND UPS OVERNIGHT

Moore & Van Allen PLLC

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Mr. Charles Terreni
Chief Clerk Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Docket No. 2007-4-G Annual Review of the Purchased Gas Adjustment and Gas Purchasing Policies of Piedmont Natural Gas Company, Inc.

Dear Mr. Terreni:

Pursuant to 26 S.C. Code Ann. Regs. 103-869(C)(Supp.2006) and the July 10, 2007 Docketing Department letter establishing dates for prefiled testimony, enclosed please find an original and one copy of the *Rebuttal Testimony of David R. Carpenter on Behalf of Piedmont Natural Gas Company, Inc.* in the docket shown above. The attached is an exact duplicate, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions.

Thank you for your assistance with this matter. If you have any questions about this filing you may reach me at the number shown above.

Sincerely,

s/ James H. Jeffries IV
James H. Jeffries IV

Enclosures

c: Mr. Jeffrey Nelson, ORS (5 copies)
Ms. Jane Lewis-Raymond
Mr. David Carpenter

**Before The
Public Service Commission of South Carolina**

Docket No. 2007-4-G

**Annual Review of Purchased Gas Adjustment and
Gas Purchasing Policies of Piedmont Natural Gas Company, Inc.**

**Rebuttal Testimony
Of
David R. Carpenter**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**



November 1, 2007

1 **Q. Please state your name and business address.**

2 A. My name is David R. Carpenter. My business address is 4720 Piedmont
3 Row Drive, Charlotte, North Carolina.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am employed by Piedmont Natural Gas Company ("Piedmont" or
6 "Company") as Managing Director Regulatory Affairs.

7 **Q. Are you the same David R. Carpenter that filed direct testimony in**
8 **this proceeding?**

9 A. Yes.

10 **Q. What is the purpose of your rebuttal testimony?**

11 A. The purpose of my rebuttal testimony is to respond to several matters
12 raised in the prefiled direct testimony of Office of Regulatory Staff
13 witnesses Carey M. Flynt and Daniel F. Sullivan.

14 **Q. What matters do you intend to address in your rebuttal testimony?**

15 A. My rebuttal testimony will address Piedmont's position on the ORS'
16 proposed accounting adjustments, the continuing investigation into
17 inventory and commodity true-up matters, and Piedmont's failure to file
18 required reports.

19 **Q. What is Piedmont's position on the ORS' proposed accounting**
20 **adjustments?**

21 A. Many of the adjustments identified by the ORS were the result of the
22 joint investigatory efforts of the ORS auditors, Piedmont's gas cost

1 accounting personnel and Piedmont's outside consultants and the
2 Company agrees that they are correct. Several other proposed
3 adjustments are the result of the ORS auditor findings alone and we
4 agree with those as well. All of these adjustments are reflected in either
5 Mr. Thornton's original exhibits or in the ORS testimony and exhibits.

6 **Q. Please explain the Company's position on the ORS proposal that**
7 **Piedmont continue to investigate and report back to the ORS and**
8 **Commission on issues relating to the Company's Review Period**
9 **commodity true-up mechanism and inventory balances.**

10 A. We agree with both the need to conduct additional investigation into
11 these two areas of Piedmont's Review Period gas costs and ORS'
12 proposed procedures and timeline for that process.

13 **Q. Given that the Commission expanded the time for hearing of this**
14 **proceeding at the Company's request, why are these additional**
15 **procedures needed?**

16 A. As was alluded to in the ORS testimony and in my direct testimony,
17 Piedmont has been heavily engaged with its new gas cost accounting
18 personnel and its outside gas cost consultants in trying to accomplish
19 three critical tasks during the period this proceeding has been pending.
20 These tasks were to (1) identify and remedy weaknesses in Piedmont's
21 existing gas cost accounting systems and practices, (2) investigate and

1 restate its gas costs for much of the review period applicable to this
2 proceeding, and (3) initiate efforts to redesign its entire gas cost
3 accounting processes and systems. These efforts were being undertaken
4 at the same time the Company was participating in two separate
5 prudence review proceedings (including this one) and simultaneous with
6 Piedmont's efforts to train and incorporate its new gas cost accounting
7 personnel into this functional area. These efforts were tremendously
8 challenging and required the Company to expend substantial efforts to
9 try to satisfy the many demands placed on its gas cost accounting
10 functionality and personnel during this period. Although we tried very
11 hard, we were simply unable to run down every single open issue prior
12 to the time testimony was due to be filed in this proceeding, even under
13 the extended schedule.

14 In addition, the nature of gas cost accounting is such that the timing and
15 amount of some cost entries are critical components in the calculation of
16 other entries. Because Piedmont knew that it had issues with the
17 accounting for some of its review period cost of gas items, it did not
18 make sense to attempt to finalize the commodity true-up calculation
19 until all cost of gas entries were resolved.

20 **Q. Are the remaining issues significant?**

21 **A.** Piedmont believes that there should be no open issues about its gas costs

1 at this point in this proceeding and, therefore, the fact that there are even
2 a few remaining issues that require additional investigation is very
3 significant to Piedmont. From the perspective of total value or the likely
4 impact on the aggregate amount of review period gas costs, however, the
5 remaining issues are not substantial.

6 **Q. Why did Piedmont fail to make required report filings and to**
7 **transfer hedging balances as approved in the Company's last annual**
8 **prudence proceeding?**

9 A. As I mentioned in my direct testimony, Piedmont appointed a new
10 manager of gas cost accounting in the spring of 2006 as part of its
11 overall restructuring efforts and in order to improve its functionality in
12 gas cost accounting. Following that appointment, it gradually became
13 apparent both that the problems in this area were much more significant
14 than originally believed and that the new manager of this function did
15 not have the necessary level of expertise or experience to resolve these
16 problems. Beginning during this period, Piedmont ceased making its
17 required report filings and also failed to transfer hedging balances to
18 Account 253.04 as anticipated by the Commission's Order in
19 Piedmont's last annual prudence review proceeding. Piedmont regrets
20 this failure, which was inadvertent in nature, and has agreed to initiate
21 making these required reports on a going forward basis effective

1 November 1, 2007. Piedmont will also file the missing reports from
2 prior periods once the review period gas costs at issue in this proceeding
3 are approved by the Commission.

4 **Q. Does this conclude your rebuttal testimony?**

5 A. Yes.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached *Rebuttal Testimony of David R. Carpenter on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via email and UPS Overnight (5 copies) upon:

Jeffrey M. Nelson
Office of Regulatory Staff
1441 Main Street
Suite 300
Columbia, South Carolina 29201
jnelson@regstaff.sc.gov

And that a copy of the attached *Rebuttal Testimony of David R. Carpenter on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via email and U.S. Mail upon:

Jane Lewis-Raymond
Vice President & General Counsel
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233
jane.lewis-raymond@piedmontng.com

David Carpenter
Managing Director Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
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david.carpenter@piedmontng.com

This the 1st day of November, 2007.

s/ James H. Jeffries IV
James H. Jeffries IV